

The Blended Retirement System

Defined Benefit (Pension)

20
YEARS

The National Defense Authorization Act for Fiscal Year 2016 created the Blended Retirement System, or BRS, that went into effect on Jan. 1, 2018. Active duty and members of the National Guard or Reserves are eligible for a defined benefit after reaching 20 qualifying years of service under BRS. A defined benefit pension plan provides a pension payment on retirement that is determined by a formula based on the member's earnings history and length of service. The formula of both active and Reserve components is 2% times the years of service, multiplied by the average of your highest 3 years of basic pay, based on at least 20 qualifying year of service.

Under the BRS, the Defined Benefit Is Calculated As:

$$\begin{array}{ccccc} 2\% & \times & \text{Years Served} & \times & \text{Retired Base Pay} \\ \text{Multiplier} & & & & \end{array}$$

Here's an example: An active duty service member (E7) has an average of highest 36 months of base pay of \$4,797 per month, or yearly base pay of \$57,564. Under BRS, the multiplier of 2% X 20 years of service = 40% of \$57,564, which is a \$1,919 monthly pension.

Defined Benefit Basics

The multiplier. The multiplier is the percentage of your retired base pay you receive for each year of service. Under the BRS your multiplier is 2% per year of service.

Longer years served equals a higher retirement benefit. If you retire at 20 years of service under BRS, you'll receive 40% of your highest 36-months* of base pay as your defined benefit. That percentage increases by 2% for each additional year of service.

*After retirement, National Guard and Reserve members' longevity for pay purposes continues while waiting for receipt of retirement pay (known as the gray area).

Inflation. The defined benefit has an annual cost of living adjustment. This means your monthly retired pay will change with inflation. The COLA for the BRS, is determined each year by the Consumer Price Index for Urban Wage Earners and Clerical Workers.

Calculate options. Calculate your potential defined benefit using the official DoD BRS Comparison Calculator at <http://militarypay.defense.gov/Calculators/BRS>.

National Guard and Reserve: You will need 20 qualifying years of service to be eligible for a non-regular retirement defined benefit at age 60. However, this age may be reduced to as low as age 50 with creditable active service performed since the beginning of 2018. To determine a non-regular retirement, National Guard and Reserve members must calculate their equivalent years of active service.

For example: After determining equivalent years of service, the formula for the defined benefit is the same.

$$\begin{array}{ccccc} \text{Reservist with} & & & & \\ 4,860 & \div & \text{Total retirement points} & = & 13.5 \\ \text{retirement points} & & & & \text{Equivalent years} \\ & & & & \text{of service} \end{array}$$

Resources

- **Learn** more about the BRS at <http://militarypay.defense.gov/BlendedRetirement>.
- **Explore** Military OneSource and other financial resources at <https://www.militaryonesource.mil>.
- **Locate** an accredited Personal Financial Manager or Counselor at your installation's Family Center, or search at <http://www.militaryinstallations.dod.mil> or <https://finred.usalearning.gov/pfcMap>.



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